

# Q4

IAR SYSTEMS GROUP AB (PUBL)



YEAR-END REPORT

2011



## A year of record sales and doubled profit

- Net sales of SEK 200.4m (177.9), of which SEK 57.5m (48.0) in the fourth quarter
- Operating profit of SEK 24.0m (11.9), of which SEK 7.7m (2.2) in the fourth quarter
- Profit before tax of SEK 24.1m (11.9), of which SEK 7.7m (2.1) in the fourth quarter
- Cash flow from operating activities of SEK 34.8m (13.8), of which SEK 13.2m (5.4) in the fourth quarter, and net cash of SEK 34.5m (12.8) at year-end 2011
- Operating margin of 12.0% (6.7) for the full year and 13.4% (4.6) for the fourth quarter
- Earnings per share, calculated on profit from continuing operations, of SEK 2.44 (1.08) for the full year and SEK 0.96 (0.19) for the fourth quarter
- In local currency, net sales for the full year rose by 25% in the USA, 17% in Europe and 34% in Asia
- The Board proposes a dividend of SEK 1.00 (-) per share

### Key events during the year

- Restructuring and streamlining of the Group carried out in the first half of 2011
  - Deltaco distributed to the shareholders and listed on First North
  - Northern sold to the company's management
  - Intoi AB changed name to IAR Systems Group AB
- On September 12, 2011, IAR Systems acquired Signum with complementary technology for advanced embedded systems. The acquisition is anticipated make a positive contribution to both sales and profit starting in 2012, partly through the sale of Signum's products but also because this reinforcement of the offering is expected to boost sales of IAR Systems' development tools. The change of ownership took place on October 3, 2011.

### Key events after the end of the year

- IAR Systems opens sales office in Seoul, South Korea.

## Higher growth in the fourth quarter

For the first time ever, net sales exceeded SEK 50m for an individual quarter and SEK 200m for the year. IAR has continued to grow in all markets. As earlier, growth in the fourth quarter was led by Asia, but the other markets are also showing sustained growth compared to the previous year. Net sales for the quarter rose by 20% to SEK 57.5m. In local currency, growth for the full year was 25% in the USA, 17% in Europe and 34% in Asia.

## Continued rise in earnings for the fourth quarter

The earnings trend is positive and operating profit for the quarter was up by more than 250% to SEK 7.7m (2.2). For the full year, operating profit doubled to SEK 24.0m (11.9). Operating margin also improved further and reached 13.7% for the fourth quarter, compared to 4.6% for the same period of last year. Operating margin for the full year was 12.0%, compared to 6.7% for 2010.

## Increased standardization on IAR Systems' software

Our customers are looking over their requirements for products and suppliers in order to earn a higher return on their investments. They are seeking a simpler and more efficient workflow, greater flexibility in their development process and reliable support when and where they need it. We are noting a rising demand for our products thanks to our position as an experienced and independent supplier of user-friendly embedded development tools with an extensive offering of training and support services. In the fourth quarter we signed a number of major contracts as a result of customers' standardizing on our software.

## Healthy cash flow

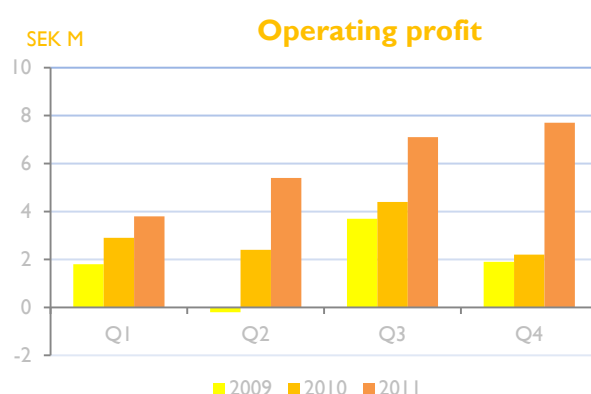
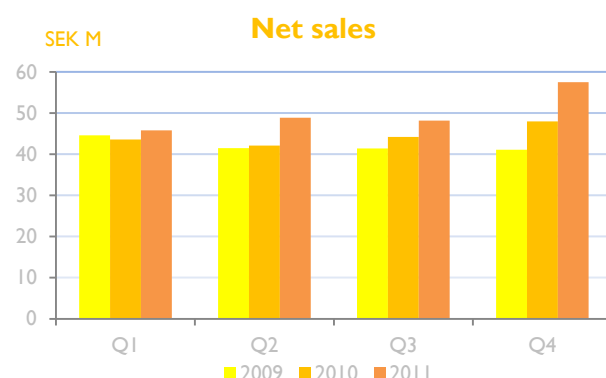
Our operations have continued to generate a positive cash flow, with a cash flow from operating activities of SEK 13.2m (5.4) for the fourth quarter and SEK 34.8 (13.8) for the full year. At December 31, 2011, we had net cash of SEK 34.5m, despite the acquisition of Signum in the fourth quarter, which utilized net cash of approximately SEK 15m.

## Strongest growth in ARM

We are seeing continued growth in the ARM sector, where the new applications for ARM Cortex are expanding in all markets. Aside from market-leading technology, another driver behind this growth is that the customers evaluating processors for new digital products have a wide range of suppliers to choose from. This allows the customers to evaluate and compare in terms of product, price and performance.

2011 was a year of growth, improved earnings and enhancement of our offering. In 2011 we found a way to capitalize on our long history of independence, our expertise, our products and our global presence.

Stefan Skarin, President and CEO of IAR Systems Group AB



PROFIT SUMMARY, Full year			
SEK M	2011	2010	2009
Net sales	200.4	177.9	168.6
Operating expenses	-176.4	-166.0	-161.4
Operating profit	24.0	11.9	7.2

KEY RATIOS, Full year			
	2011	2010	2009
Growth, %	12.6	5.5	5.0
Operating margin, %	12.0	6.7	4.3
Equity/assets ratio, %	78.1	80.4	80.2
Net cash, SEK M	34.5	-12.8	-27.4
No. of employees at end of year	157	135	132

## Customers and market

Growth for both the quarter and the year was driven mainly by an expanding market for ARM and ARM Cortex-M, but we are also seeing increased sales of our other development tools for the more advanced processors.

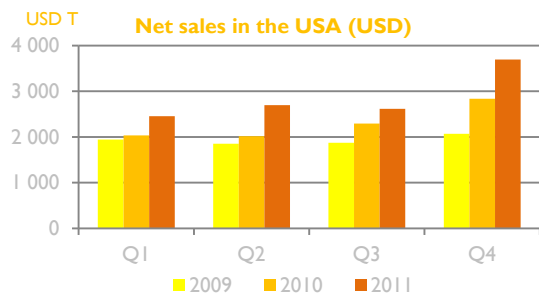
The acquisition of Signum has been very well received by IAR Systems' customers. The use of more powerful processors and rising product complexity are fuelling interest in better tools for testing and debugging. By combining Signum's technology with our market-leading development tool IAR Embedded Workbench, we have gained access to a new market for integrated software and hardware solutions for advanced processors.

Interest in standardizing on IAR Embedded Workbench remains strong and downloads of evaluation versions have increased by 25% compared to 2010.

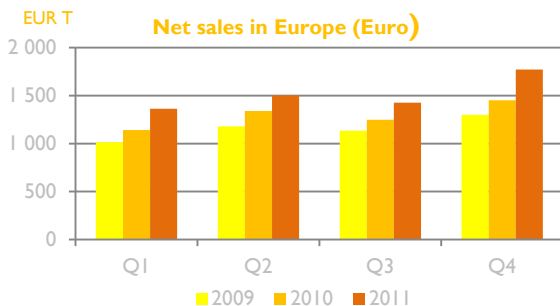
In the fourth quarter we signed 14 enterprise agreements. In 2011 IAR Systems signed a total of 57 enterprise agreements, compared to 25 for the full year 2010. The enterprise agreements are aimed at strengthening the relationship with our largest and most important customers. By offering these customers products and services for greater flexibility and security, we can extend and expand our business.

We are making active efforts to reach more customers and launched a new website in September. The number of readers of IAR's newsletter rose during the quarter and it now has 132,000 monthly subscribers, up from 94,000 at the beginning of the year.

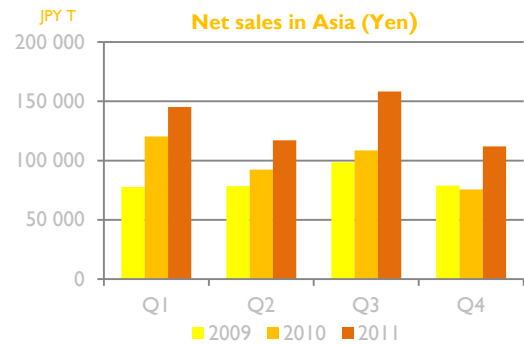
## IAR Systems' development by region



- The USA accounts for around 40% of revenue
- Net sales for the full year were up by 25% in local currency
- Took part in ARM Techcon Conference in San Francisco



- Europe, excluding the Nordic region, accounts for around 30% of revenue
- Net sales for the full year rose by 17% in local currency
- Signed 13 enterprise agreements in the fourth quarter



- Asia accounts for approximately 25% of revenue
- Net sales for the full year improved by 34% in local currency
- Recruitment of staff for the opening of the Korean office

## Products and technology

In the fourth quarter we introduced powerful new features in IAR Embedded Workbench for ARM. The latest release includes speed optimizations, better capacity for code analysis and a first integration with IAR Systems' new portfolio of emulators and debuggers for the more advanced ARM processors through the acquisition of Signum.

It has been a successful development year for IAR Systems' development tools for ARM, with more than 40 significant enhancements.

A few of these are:

- Several new launches of power debugging technology for analysis of power consumption in chips.
- Increased support for ARM's most advanced processors, Cortex A8 and A9, for high performance applications and power efficiency. These processors are often used in mobile consumer electronics and medical devices.
- Support for STMicroelectronics' new ARM Cortex-M4 family.
- IAR integrated its software with the Eclipse platform.

Other launches in the fourth quarter include

- A new development kit for STMicroelectronics' new ARM Cortex-based processors.
- New release of development tools for Renesas' SuperH microcontroller family.
- Support for Texas Instruments' new Hercules platform for safety-critical embedded systems.

As part of a close collaboration with the US-based RTOS and middleware supplier Express Logic, IAR System has also launched new support for Express Logic's RTOS product ThreadX.

# Financial information

# JANUARY – DECEMBER 2011

## Reporting of operations distributed/sold

The operations in Deltaco AB and Northern Parklife AB and related subsidiaries were distributed and sold during the period. Profit from these operations is reported under profit from operations distributed/sold.

Continuing operations include IAR Systems and central functions in the Parent Company. The comparison figures in the following financial information refer to continuing operations unless otherwise stated.

## Cash flow, cash and cash equivalents

Cash flow from operating activities was SEK 34.8m (13.8) for the full year and SEK 13.2m (5.4) for the fourth quarter.

Cash flow from investing activities was SEK -25.9m (-12.6) for the full year and SEK -19.6m (-4.6) for the fourth quarter. The bulk of investments in the fourth quarter, SEK 14.7m, refer to the acquisition of Signum.

Cash flow from financing activities was SEK 7.7m (-3.1) for the full year and SEK -0.4m (-2.4) for the fourth quarter.

At December 31, 2011, the Group had net cash of SEK 34.5m (12.8), in addition to a holding of 634,600 treasury shares.

Cash and cash equivalents at December 31, 2011, totaled SEK 36.5m (25.1), of which SEK 6.9m consists of blocked funds for the acquisition of Signum. On the same date, there were unutilized bank overdraft facilities of SEK 25.0m (40.4). The Group's total available cash and cash equivalents thus amounted to SEK 54.6m (65.5).

## Goodwill

Goodwill is tested for impairment yearly and is measured at cost less accumulated impairment. The impairment test is based on the budget for 2012 and the management's forecasts for 2013 and 2014. For the period thereafter, a future annual growth rate of 2% is assumed.

Growth in 2011 was 12%. Goodwill at December 31, 2011, amounted to SEK 110.7m.

## Deferred tax asset

The deferred tax asset attributable to loss carryforwards is recognized only to the extent that it is probable that the loss carryforwards can be utilized against future taxable profits. At December 31, 2011, the Group had cumulative loss carryforwards of around SEK 280m. In the balance sheet, the current estimated value of these losses is SEK 73.8m (71.2).

## Investments and financing

Investments in property, plant and equipment for the year are reported at SEK -2.8m (-2.8). The year's investments in intangible assets including the acquisition of Signum totaled SEK -22.9m (-9.8). The equity/assets ratio at December 31, 2011, was 78% (80). Pledged assets decreased during the year by SEK 0.7m and amounted to SEK 3.4m (4.1) at December 31, 2011. No changes in contingent liabilities took place.

## Employees

The number of employees in IAR Systems (including central) at the end

of the year was 157 (135). The average number of employees during the year was 137 (132).

## Parent Company

The activities of the Parent Company consist of group management, finance and IR/PR functions. The Parent Company's net sales for the year amounted to SEK 14.1m (14.2). Profit after financial items was SEK -18.6m (-10.8). Net investments in property, plant and equipment totaled SEK -0.0m (0.0). At December 31, 2011, the Parent Company had cash and cash equivalents of SEK 8.0m (0.3), of which SEK 6.9m (-) consists of blocked funds for the acquisition of Signum. On the same date, there were unutilized bank overdraft facilities of SEK 25.0m (40.4). The Parent Company's total available cash and cash equivalents thus amounted to SEK 26.1m (40.7). The number of employees in the Parent Company at the end of the year was 4 (3).

## Accounting policies

The consolidated financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) as endorsed for application in the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied. This consolidated interim report has been prepared in accordance with the Swedish Annual Accounts Act (ÅRL) and IAS 34, Interim Financial Reporting. The accounts of the Parent Company are presented in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

The new or changed IFRSs effective as of January 1, 2011, have not had any impact on the consolidated financial statements during the period. The Group's accounting policies are thus unchanged from those applied in the prior year.

## The IAR Systems Group share

IAR Systems Group's class B share is quoted on the Small Cap list of the NASDAQ OMX Nordic Exchange Stockholm. During the year the share price (based on reinvested values) varied from a low of SEK 17.58 (12.40) to a high of SEK 24.50 (17.90). The share price at December 31, 2011, was SEK 24.50 (17.74). IAR Systems Groups' market capitalization on the same date was SEK 270m (196).

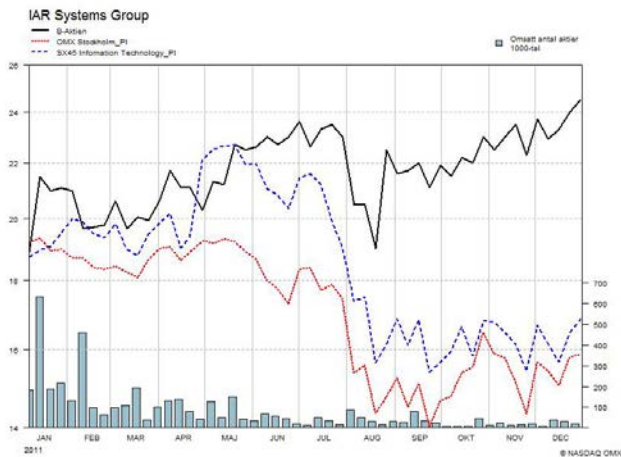
The subsidiary Deltaco AB was distributed to the shareholders during the year. Deltaco AB is quoted on NASDAQ OMX First North since April 2011. The comparison figures have been restated with respect to the distribution.

The number of shareholders in IAR Systems Group at December 31, 2011, was 9,293 (10,054), of which 481 (586) held more than 1,000 shares each. Foreign shareholders held approximately 18% (25) of the share capital and 24% (31) of the votes.

No shares were repurchased during the period. However, 634,600 class B shares for total value of SEK 30.1m had been repurchased at December 31, 2011. These are not included in the share data at December 31 2011.

IAR Systems Group's share capital at December 31, 2011, amounted to SEK 116,885,614, divided between 11,688,561 shares of which 100,000 are of class A and 11,588,561 are of class B. Following buybacks, 634,600 of the class B shares are held in treasury by IAR Systems Group. This means that the number of class B shares on the market at December 31, 2011, was 10,953,961.

#### Share price trend January – December 2011 (reinvested values)



#### Warrant series T04B

The Annual General Meeting (AGM) in May resolved that the company would issue not more than 1,168,856 subscription warrants, each entitling the holder to subscribe for one class B share in IAR Systems Group AB. A total of 1,017,000 warrants were subscribed for on market-based terms in July 2011. Each warrant gives the holder the right to subscribe for one new class B share in IAR Systems Group AB for a price of SEK 34.30 during the period through June 2014.

#### Distribution of Deltaco AB

An Extraordinary General Meeting (EGM) in January 2011 resolved to reduce the statutory reserve in IAR Systems Group AB by SEK 270,200,041 for repayment to the shareholders through the distribution in kind of all shares in the subsidiary Deltaco AB (name changed from TurnIT AB) and a transfer to non-restricted reserves to be used according to the decision of the General Meeting. In April the Swedish Companies Registration Office granted permission to reduce the statutory reserve in accordance with this decision. The record date for the distribution of shares in Deltaco was April 14, 2011. The distribution of the shares in Deltaco is covered by the so-called Lex ASEA rule and is thereby tax-exempt in Sweden. In the distribution, each share in IAR Systems Group AB (publ), regardless of class, entitled the holder to one share in Deltaco.

#### Swedish Tax Agency's general recommendations for allocating the acquisition cost of shares for the distribution of shares in Deltaco

Of the acquisition cost of shares in IAR Systems Group, 55% should be attributed to these shares and 45% to the received shares in Deltaco AB.

#### Sale of Northern Parklife AB

Northern was sold to its own management, as approved by the EGM on May 3, 2011. In addition to a small initial payment, the sale is subject to contingent consideration equal to 80% of future dividends and 80% of the value of a possible future sale (less the initial payment). The effect on profit (reported in profit from operations distributed/sold) was SEK

-45m in the first quarter based on the initial purchase price, after which all future contingent consideration will have a positive impact on profit.

#### Acquisition of Signum Systems Corp

In September 2011 IAR Systems acquired all of the shares in Signum Systems Corp. Signum Systems is based in Camarillo, California, and has 11 employees. The company was founded in 1979 and has a leading technical position in the market for emulators and debuggers.

The acquisition is expected to have a limited financial effect on IAR Systems in 2011 and make a positive contribution to both sales and profit starting in 2012.

The acquisition was financed by a combination of cash and shares in IAR Systems Group AB, with an initial payment and contingent consideration based on the attainment of goals during the period through October 1, 2015. No new shares in IAR Systems were issued in connection with this transaction, since the company used its own treasury shares acquired in earlier buybacks. IAR Systems completed the acquisition on October 3, 2011.

#### 2011 Annual General Meeting

The Annual General Meeting of IAR Systems was held on May 3, 2011. For information about the AGM and the resolutions passed there, see the company's website, [www.iar.com](http://www.iar.com).

#### Nominations Committee

In accordance with the decision of the AGM in May 2011, the Nominations Committee consists of Ulf Strömsten (Catella), Peter Larsson and Tedde Jeansson. Ulf Strömsten was appointed as chairman of the committee.

Stefan Skarin, in his role as major shareholder and CEO, has been co-opted to take part in meetings of the Nominations Committee.

#### Proposed dividend

The Board of Directors intends to propose a dividend of SEK 1.00 per share (-) for approval by the Annual General Meeting on April 24, 2012.

#### Significant risks and uncertainties

The market for IAR Systems' software is evolving rapidly and forecasts about future development are therefore associated with uncertainty. IAR Systems Group's assessment is that no significant risks and uncertainties have changed or arisen aside from those described in the annual report for 2010 under the heading "Business risks" on page 14 and in Note 2 on pages 39-41. No essential changes have taken place since that time.

#### Future outlook

The Board's long-term financial targets are for IAR Systems Group's net sales to grow by 10-15% annually in local currency and for operating margin to exceed 20% over a business cycle.

Stockholm, Tuesday, 6 February 2012

Stefan Skarin  
President and CEO

## **Review report**

### Introduction

We have reviewed the year-end report for IAR Systems Group AB the period from January 1 to December 31, 2011. The Board of Directors and CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

We conducted our review in accordance with Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by FAR. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISA (International Standards on Auditing) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not, in all material aspects, prepared in accordance with IAS 34 and the Swedish Annual Accounts Act for the Group and in accordance with the Swedish Annual Accounts Act for the Parent Company.

Uppsala, February 6, 2012

Öhrlings PricewaterhouseCoopers AB

Lars Kylberg

Authorized Public Accountant

## **Annual General Meeting**

The Annual General Meeting will be held at 6:00 p.m. on April 24, 2012, at the company's office at Strandbodgatan 1 in Uppsala. Bus transport from and to Stockholm will be available to the shareholders who so desire. Additional information about this will be provided in connection with the notice to attend the Annual General Meeting.

Starting at the end of March, IAR Systems Group's annual report will be available on IAR Systems' website and at the company's offices in Kista Science Tower, Kista, and at Strandbodgatan 1, Uppsala.

## **Financial calendar 2012**

Interim report for January-March 2012, April 24, 2012

Annual General Meeting, April 24, 2012

Interim report for January-June 2012, July 24, 2012

Interim report for January-September 2012, October 24, 2012

## **IAR Systems Group AB (publ)**

Corporate identification number 556400-7200

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Stefan Skarin, President and CEO, tel +46 708 651005

Stefan Ström, CFO, tel +46 708 651068

INCOME STATEMENTS, GROUP	Full year		3 mths, Oct-Dec	
SEK M	2011	2010	2011	2010
Net sales	200.4	177.9	57.5	48.0
Operating expenses	-171.0	-161.8	-48.1	-44.5
Depreciation of property, plant and equipment	-1.7	-1.2	-0.5	-0.3
Amortization of intangible assets	-3.7	-3.0	-1.2	-1.0
<b>Operating profit</b>	<b>24.0</b>	<b>11.9</b>	<b>7.7</b>	<b>2.2</b>
Result from financial investments	0.1	0.0	0.0	-0.1
<b>Profit before tax</b>	<b>24.1</b>	<b>11.9</b>	<b>7.7</b>	<b>2.1</b>
Income tax	2.9	0.0	2.9	0.0
<b>Profit for the period from continuing operations</b>	<b>27.0</b>	<b>11.9</b>	<b>10.6</b>	<b>2.1</b>
Profit from operations distributed/sold	-45.8	8.9	-	-5.7
<b>Profit for the period</b>	<b>-18.8</b>	<b>20.8</b>	<b>10.6</b>	<b>-3.6</b>
<i>Earnings per share for the period, calculated on profit from continuing operations, basic and diluted, SEK</i>	<i>2.44</i>	<i>1.08</i>	<i>0.96</i>	<i>0.19</i>
<i>Earnings per share for the period, calculated on profit from operations distributed/sold, basic and diluted, SEK</i>	<i>-4.14</i>	<i>0.80</i>	<i>-</i>	<i>-0.52</i>
<i>Earnings per share for the period, basic and diluted, SEK</i>	<i>-1.70</i>	<i>1.88</i>	<i>0.96</i>	<i>-0.33</i>

STATEMENTS OF COMPREHENSIVE INCOME	Full year		3 mths, Oct-Dec	
SEK M	2011	2010	2011	2010
Profit for the period	-18.8	20.8	10.6	-3.6
Other comprehensive income for the period				
Foreign exchange gains/losses	0.6	-0.4	-0.3	0.1
Total other comprehensive income	0.6	-0.4	-0.3	0.1
<b>Comprehensive income for the period</b>	<b>-18.2</b>	<b>20.4</b>	<b>10.3</b>	<b>-3.5</b>
<i>Comprehensive income for the period attributable to owners of the parent</i>	<i>-18.2</i>	<i>20.4</i>	<i>10.3</i>	<i>-3.5</i>

CASH FLOWS, GROUP	Full year		3 mths, Oct-Dec	
SEK M	2011	2010	2011	2010
Incoming payments from customers	187.5	197.8	48.1	51.5
Outgoing payments to suppliers and employees	-153.6	-182.6	-36.7	-45.1
Interest received	2.0	0.3	1.5	0.2
Interest paid	-0.8	0.0	-0.4	0.1
Income tax paid	-0.3	-1.7	0.7	-1.3
<b>Cash flow from operating activities</b>	<b>34.8</b>	<b>13.8</b>	<b>13.2</b>	<b>5.4</b>
Cash flow from operating activities for operations distributed/sold	8.5	6.0	-	18.6
<b>Total cash flow from operating activities</b>	<b>43.3</b>	<b>19.8</b>	<b>13.2</b>	<b>24.0</b>
Investments in property, plant and equipment	-2.8	-2.8	-1.0	-1.7
Investments in intangible assets	-8.2	-9.8	-3.7	-2.9
Investments in subsidiaries	-14.7	-	-14.7	-
Other investments	-0.2	-	-0.2	-
<b>Cash flow from investing activities</b>	<b>-25.9</b>	<b>-12.6</b>	<b>-19.6</b>	<b>-4.6</b>
Cash flow from investing activities for operations distributed/sold	-0.9	-8.6	-	-5.2
<b>Total cash flow from investing activities</b>	<b>-26.8</b>	<b>-21.2</b>	<b>-19.6</b>	<b>-9.8</b>
Dividends	-	-13.8	-	-
Warrant series T04B	0.6	-	-0.4	-
Newly raised loans	7.1	10.7	-	-
Repayment of financial liabilities	-	-	0.0	-2.4
<b>Cash flow from financing activities</b>	<b>7.7</b>	<b>-3.1</b>	<b>-0.4</b>	<b>-2.4</b>
Cash flow from financing activities for operations distributed/sold	-39.7	-4.1	-	-4.3
<b>Total cash flow from financing activities</b>	<b>-32.0</b>	<b>-7.2</b>	<b>-0.4</b>	<b>-6.7</b>
<b>Cash flow for the period</b>	<b>-15.5</b>	<b>-8.6</b>	<b>-6.8</b>	<b>7.5</b>
Cash and cash equivalents at beginning of period	52.0	60.6	43.3	44.5
<b>Cash and cash equivalents at end of period</b>	<b>36.5</b>	<b>52.0</b>	<b>36.5</b>	<b>52.0</b>

CASH AND CASH EQUIVALENTS, GROUP	Full year		3 mths, Oct-Dec	
SEK M	2011	2010	2011	2010
<b>Breakdown of cash and cash equivalents at the end of the period</b>				
Cash and cash equivalents at end of period	36.5	52.0	36.5	52.0
Cash and cash equivalents included in assets held for distribution/sale	-	32.0	-	32.0
<b>Total cash and cash equivalents</b>	<b>36.5</b>	<b>20.0</b>	<b>36.5</b>	<b>20.0</b>
Of which, blocked funds	-6.9	-	-6.9	-
Unutilized overdraft facilities	25.0	40.4	25.0	40.4
<b>Total available cash and cash equivalents</b>	<b>54.6</b>	<b>60.4</b>	<b>54.6</b>	<b>60.4</b>

BALANCE SHEETS, GROUP		Dec 31, 2011		Dec 31, 2010	
SEK M					
<b>ASSETS</b>					
<b>Non-current assets</b>					
Goodwill		110.7		132.1	
Other intangible assets		28.2		26.7	
Property, plant and equipment		5.8		5.9	
Financial assets		79.6		80.7	
<b>Total non-current assets</b>		<b>224.3</b>		<b>245.4</b>	
<b>Current assets</b>					
Inventories		4.6		1.9	
Other current assets		11.3		15.6	
Trade receivables		32.2		33.8	
Cash and cash equivalents		36.5		25.1	
<b>Total current assets</b>		<b>84.6</b>		<b>76.4</b>	
Assets held for distribution/sale		-		422.4	
<b>TOTAL ASSETS</b>		<b>308.9</b>		<b>744.2</b>	
<b>EQUITY AND LIABILITIES</b>					
<b>Total equity</b>		<b>241.1</b>		<b>598.5</b>	
<b>Non-current liabilities</b>					
Interest-bearing liabilities		1.5		2.0	
Provisions		3.5		4.8	
<b>Total non-current liabilities</b>		<b>5.0</b>		<b>6.8</b>	
<b>Current liabilities</b>					
Trade payables		10.7		14.1	
Interest-bearing liabilities		0.5		10.3	
Other current liabilities		51.6		46.8	
<b>Total current liabilities</b>		<b>62.8</b>		<b>71.2</b>	
Liabilities held for distribution/sale		-		67.7	
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>308.9</b>		<b>744.2</b>	
Pledged assets		3.4		4.1	
Contingent liabilities		-		-	
<b>CHANGES IN EQUITY, GROUP</b>					
SEK M		Full year		3 mths, Oct-Dec	
		2011	2010	2011	2010
Equity at beginning of period		598.5	591.9	231.2	602.0
Dividends		-339.8	-13.8	-	-
Issue of subscription warrants		0.6	-	-0.4	-
Comprehensive income for the period		-18.2	20.4	10.3	-3.5
<b>Equity at end of period</b>		<b>241.1</b>	<b>598.5</b>	<b>241.1</b>	<b>598.5</b>
<b>KEY RATIOS, GROUP</b>					
		Full year		3 mths, Oct-Dec	
		2011	2010	2011	2010
Gross margin, %		14.7	9.1	16.3	7.3
Operating margin, %		12.0	6.7	13.4	4.6
Profit margin, %		12.0	6.7	13.4	4.4
Cash flow, %		17.4	7.8	23.0	11.3
Equity/assets ratio, %		78.1	80.4		80.4
Return on equity, %		6.4	3.5	4.5	-0.6
Return on capital employed, %		5.8	3.5	3.4	-0.6
Interest coverage ratio, times		31.9	98.5	21.1	54.8
Capital employed, SEK M		243.1	610.8		
Net interest-bearing liabilities, SEK M		-34.5	-12.8		
Net debt/equity ratio, times		-0.14	-0.02		
Number of employees at end of period		157	135		
Average number of employees		137	132	150	132
Net sales per employee, SEK M		1.5	1.3	0.4	0.4



SHARE DATA	Full year		3 mths, Oct-Dec	
	2011	2010	2011	2010
Equity per share, SEK	21.82	54.16		
Number of shares at end of period, millions	11.05	11.05		
Average number of shares, millions	11.05	11.05	11.05	11.05
Cash flow from operating activities per share, SEK	3.15	1.25	1.21	0.47
Earnings per share, SEK	-13.63	1.88	0.96	-0.33

QUARTERLY OVERVIEW, CONTINUING OPERATIONS	2011				2010				
SEK M	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Net sales, SEK M	57.5	48.2	48.9	45.8	48.0	44.2	42.1	43.6	
Operating profit, SEK M	7.7	7.1	5.4	3.8	2.2	4.4	2.4	2.9	
Operating margin, %	13.4	14.7	11.0	8.3	4.6	10.0	5.7	6.7	
Return on equity, %	4.5	3.3	1.4	0.6	-0.6	1.4	1.1	1.6	
Equity per share, SEK	21.82	20.92	20.09	50.35	54.16	55.50	53.81	54.42	
Cash flow from operating activities per share, SEK	1.21	1.20	1.23	-0.49	0.47	0.23	0.33	0.22	

INCOME STATEMENTS, PARENT COMPANY	Full year	
SEK M	2011	2010
Net sales	14.1	14.2
Operating expenses	-20.4	-25.5
Depreciation of property, plant and equipment	-0.2	-0.2
<b>Operating profit/loss</b>	<b>-6.5</b>	<b>-11.5</b>
Result from financial investments	-12.1	0.7
<b>Profit/loss after financial items</b>	<b>-18.6</b>	<b>-10.8</b>
Income tax	5.6	7.5
<b>Profit/loss for the period</b>	<b>-13.0</b>	<b>-3.3</b>

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY	Full year	
SEK M	2011	2010
Profit/loss for the period	-13.0	-3.3
Total other comprehensive income	-	-
<b>Comprehensive income for the period</b>	<b>-13.0</b>	<b>-3.3</b>

BALANCE SHEETS, PARENT COMPANY	Full year	
SEK M	Dec 31, 2011	Dec 31, 2010
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	0.2	0.4
Shares in subsidiaries	189.4	414.3
Other financial assets	77.7	76.5
<b>Total non-current assets</b>	<b>267.3</b>	<b>491.2</b>
<b>Current assets</b>		
Receivables from subsidiaries	0.3	6.0
Other current assets	4.3	3.4
Cash and cash equivalents	8.0	0.3
<b>Total current assets</b>	<b>12.6</b>	<b>9.7</b>
<b>TOTAL ASSETS</b>	<b>279.9</b>	<b>500.9</b>

EQUITY AND LIABILITIES	Full year	
SEK M	Dec 31, 2011	Dec 31, 2010
<b>Total equity</b>	<b>243.6</b>	<b>483.2</b>
<b>Non-current liabilities</b>		
Provisions	5.5	-
Non-current liabilities to subsidiaries	20.4	-
<b>Total non-current liabilities</b>	<b>25.9</b>	<b>-</b>
<b>Current liabilities</b>		
Trade payables	1.2	3.8
Interest-bearing liabilities	0.0	9.6
Other current liabilities	9.2	4.3
<b>Total current liabilities</b>	<b>10.4</b>	<b>17.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>279.9</b>	<b>500.9</b>

On October 3, 2011, IAR Systems Group acquired all of the shares in the US-based company Signum Systems Corp. The acquisition has provided the opportunity to combine Signum's technology with IAR Systems' development tool IAR Embedded Workbench, thereby giving IAR Systems access to a new market for integrated software and hardware solutions for advanced processors.

The acquisition of Signum Systems Corp includes contingent consideration that is payable over a period of three years provided that the predetermined delivery variables are met. The maximum amount of contingent consideration has been set at USD 1.6m, of which USD 1.0m will be paid in cash and the remaining USD 0.6m in the form of shares in IAR Systems Group AB. Among other things, the contingent consideration is conditional on the seller's continued participation in these operations. It has been deemed appropriate to report contingent consideration as a separate transaction in accordance with IAS 19, Employee Benefits, and IFRS 2, Share-based Payment.

Furthermore, the current assessment is that the seller's activities will consist primarily of development work, which qualifies as an asset in accordance with IAS 38, Intangible Assets, for which reason most of the contingent consideration will be capitalized as an intangible asset. For the financial year 2011, a total of SEK 2,164 thousand has been capitalized as an intangible asset.

Transaction costs for the acquisition have been charged to profit for the year in an amount of SEK 0.6m and are recognized on the income statement line "operating expenses".

The goodwill arising in connection with the acquisition refers to the synergies that the acquisition is expected to generate. Through a combination of Signum's technology and IAR Systems' development tool IAR Embedded Workbench, IAR Systems can deliver integrated software and hardware solutions for advanced processors.

### 1. Summary information, SEK M

Cash consideration paid	16.1
Cash and cash equivalents in the company	-1.4
Cash flow from the transaction	14.7
Assets acquired excluding cash and cash equivalents	2.3
Liabilities assumed	-0.9
Net assets acquired	1.4
Goodwill	13.3

### 2. Signum Systems Corporation

Date of acquisition:	October 3, 2011
Nature of acquisition:	Shares in the company
Acquired share of equity:	100%
Consideration transferred:	SEK M 16.2

### 3. Purchase price allocation, SEK M

	Fair value of assets acquired and liabilities assumed
<b>ASSETS</b>	
Goodwill	13.3
Property, plant and equipment	0.1
Other current assets	2.2
Cash and cash equivalents	1.4
<b>TOTAL ASSETS</b>	<b>17.0</b>
<b>LIABILITIES</b>	
Current liabilities	0.9
<b>TOTAL LIABILITIES</b>	<b>0.9</b>

### 4. The acquired unit's impact on profit for the year from the date of acquisition

<b>Income statement, SEK M</b>	
Net sales	1.6
Operating expenses	-1.4
Depreciation of property, plant and equipment	-0.0
Amortization of intangible assets	-
<b>Operating profit</b>	<b>0.2</b>
Result from financial investments	-0.0
<b>Profit before tax</b>	<b>0.2</b>
Income tax	-0.3
<b>Profit from the acquired unit</b>	<b>-0.1</b>

### 5. Consolidated profit if the acquired unit had been acquired at January 1, 2011

	Group	Signum Dec 1, 2010	Adjusted Group 2011
<b>Income statement, SEK M</b>			
Net sales	200.4	8.1	209.5
Operating expenses	-171.0	-7.8	-178.8
Depreciation of property, plant and equipment	-1.7	-0.0	-1.7
Amortization of intangible assets	-3.7	-	-3.7
<b>Operating profit</b>	<b>24.0</b>	<b>0.3</b>	<b>24.3</b>
Result from financial investments	0.1	-0.0	0.1
<b>Profit before tax</b>	<b>24.1</b>	<b>0.3</b>	<b>24.4</b>
Income tax	2.9	-0.0	2.9
<b>The year's profit from continuing operations</b>	<b>27.0</b>	<b>0.3</b>	<b>27.3</b>

# ABOUT IAR SYSTEMS

## Intoi becomes IAR Systems Group

Intoi acquired IAR Systems in 2005 and has been a driving force in its repositioning from a more consulting-oriented business to a pure software company. In order to focus on IAR Systems, Intoi distributed Deltaco and sold Northern in April 2011.

The restructuring was completed in the first quarter and the Group is now wholly focused on IAR Systems. As a result of the restructuring, Intoi has also changed name to IAR Systems Group AB.

## Business model and products

IAR Systems' products consist of software that is used to program embedded systems that control products in areas such as industrial automation, medical devices, consumer electronics and the automotive industry. We are at the cutting edge of technology with development tools that support most of the world's chip makers and therefore also embedded systems.

IAR System is growing faster than the market and has good potential for continued growth. The business model is based on standardized software, which means that all customers essentially use the same product. In addition, we have increased the scalability of the business model by raising the share of licenses from 62% to 88% of net sales. This provides a high gross margin and creates a scalable business model with significant capacity to boost profitability.

IAR Systems' development tools are available in a wide range of versions for 8-, 16- and 32-bit chips. The company's focus on the most advanced systems based on 32-bit architecture has been highly successful. In recent years, growth has been driven mainly by the 32-bit segment.

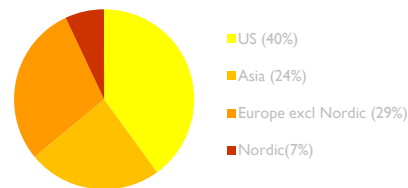
Our market position is strongest in the most advanced systems for 32-bit architecture (often ARM-based), which now account for 58% of net sales.

## Customers and sales

IAR Systems' software is used by many of the world's largest corporations, but also by thousands of small and mid-sized companies that develop digital products. The 14,000 customers are found across all industries and all regions of the world.

IAR Systems combines a good inflow of new customers with excellent customer relationships. A full 90% of all sales go to recurring customers. IAR Systems works actively to sell more licenses to each customer, where the goal is for the customers to standardize on IAR Systems' tool chain.

## Beakdown of revenue



## Ecosystem

IAR Systems is the hub of a powerful ecosystem of partners that include all of the world's leading chip makers, such as ST, Texas Instruments, NXP, Renesas, Freescale, Toshiba, Fujitsu and Atmel, and suppliers of real time operating systems (RTOS) and middleware. This close collaboration gives IAR Systems extensive resources, knowledge and scope for sales. But above all, it ensures that IAR Systems' software supports more chips in more architectures than any other tools on the market. With software tools from IAR Systems, the customers can work in the same environment for all chips in their current and future projects.

## ARM

ARM Holdings plc is a multinational company that has developed a standard for microprocessor chips with its headquarters in Cambridge, UK. ARM is one of the largest and fastest-growing companies in the industry and dominates the market for processors for smart phones. For many years IAR Systems has been committed to providing reliable and powerful development tools for a wide spectrum of ARM chips. IAR Systems is one of the leading suppliers of development tools for chips based on ARM technology.

## Investment case IAR Systems

### At the leading edge of technology

IAR Systems' software is a technical leader and the company is often first in the market to offer new functionality. IAR Systems was the first to launch a new tool to analyze power consumption in processors, known as power debugging.

### A changing market

The market is driven by digitalization and is undergoing rapid changes in pace with:

- Growth in the number of digital products
- Growth in the number of processors
- A rising level of complexity in the processors
- Growth in ARM processors
- Growth in energy-efficient solutions

### Global reach

IAR Systems has international reach through its head office in Uppsala, Sweden, and sales offices in Sweden, the USA, Japan, France, China, South Korea, Germany and the UK. The office in South Korea opened during 2012. In addition, the company is represented in 25 other countries through distributors.

### A wide and loyal customer base

IAR Systems' software is used by many of the world's largest corporations, but also by thousands of small and mid-sized companies that develop digital products. Software from IAR Systems is used by more than 120,000 developers in over 14,000 organizations across many different industries.

### Close to the chip makers

IAR Systems works closely with the world's leading chip makers. This collaboration gives IAR Systems extensive resources, knowledge and scope for sales. But above all, it ensures that IAR Systems' software supports more chips in more architectures than any other tools on the market. With software tools from IAR Systems, the customers can work in the same environment for all chips in their current and future projects.

### Skilled employees

IAR Systems is a knowledge-intensive organization that has attracted expertise and talents from many countries. IAR Systems places high demands on ambition and innovation and is a dynamic workplace that contributes to personal well-being and professional development.

## DEFINITIONS

Gross margin	Operating profit before amortization/depreciation as a percentage of net sales.
Equity	Reported equity including 73.7% of untaxed reserves.
Equity per share	Equity divided by the number of shares at the end of the period.
Cash flow	Cash flow from operating activities as a percentage of net sales.
Net interest-bearing liabilities	Interest-bearing liabilities less interest-bearing assets.
Net debt/equity ratio	Net interest-bearing liabilities divided by equity.
Earnings per share, basic	Profit for the period after tax divided by the average number of shares during the period.
Earnings per share, diluted	Diluted earnings per share are calculated by dividing profit attributable to owners of the Parent Company by the weighted average number of shares outstanding during the period including outstanding options/warrants.
Return on equity	Profit after financial items less full tax as a percentage of average equity.
Return on capital employed	Profit after financial items plus financial expenses as a percentage of average capital employed.
Interest coverage ratio	Profit after financial items plus financial expenses divided by financial expenses.
Operating margin	Operating profit as a percentage of net sales.
Equity/assets ratio	Equity as a percentage of total assets.
Capital employed	Total assets less non interest-bearing liabilities.
Profit margin	Profit after financial items as a percentage of net sales.

## INDUSTRY-SPECIFIC GLOSSARY

Application	Another word for a program developed by the user of IAR Systems' tools, to be run on a processor in an embedded system.
Architecture	A microprocessor architecture is a specific combination of integrated circuit design and instructions that control how the processor works.
ARM	ARM Holdings plc is a multinational company that licenses a standard for processors. The headquarters are located in Cambridge, UK. ARM is one of the largest and fastest-growing companies in the industry and dominates the market for smart phones, but is also growing in other segments.
ARM Cortex	ARM Cortex is a product family of low-energy, easy-to-use microprocessors that has been developed to enable partners to develop more functions at a lower cost, simplify reuse of program code and increase power efficiency.
Chip	Another name for an integrated circuit (IC).
Chip maker	A chip maker or chip vendor produces integrated circuits (ICs). IAR Systems is the hub of a powerful ecosystem of partners that include suppliers of real-time operating systems (RTOS), so-called "middleware" and the world's leading chip makers.
Debug probe	An electronic tool that measures how a processor works when the program code is executed and can therefore be used to locate problems and errors in a program that a developer has created.
Debugger	Computer software that helps a programmer to locate problems and errors in the program that he/she has created by analyzing and showing what is happening "under the surface" when the program code is executed, often with the help of a debug probe.
Digitalization trend	Growth in the number of digital products worldwide. More and more products are digital and contain computer chips in order to be mobile, remote-controlled, energy-efficient, upgradable, etc.
Emulator	Another name for debug probe.
IAR Embedded Workbench	IAR Embedded Workbench is a high-performance tool suite for development of software for small and mid-sized (8-, 16-, and 32-bit) microprocessors. IAR Systems collaborates with all world-leading chip makers to guarantee that our tools can be used for more processor architectures than any other development tool on the market.
Embedded system	An embedded (computer) system consists of one or more microprocessors with related circuits and the software that is run in the system. Embedded systems control the functions in electronic products such as cell phones, coffee machines, credit card readers, dishwashers, etc. IAR Systems' customers develop and market products that are driven by embedded systems. Embedded systems are being increasingly used products worldwide, in pace with the so-called digitalization trend.
Integrated circuit (IC)	A small, typically rectangular silicon substrate onto which micrometer-sized transistors are mounted, sometimes in numbers of more than one million.
Compiler	A compiler is a computer program (or set of programs) that transforms source code written in a programming language (similar to English) into instructions that the microprocessor can understand and execute.
Microprocessor	A microprocessor consists of a single integrated circuit (or at most a few integrated circuits). The circuit incorporates the functions of a computer's central processing unit (CPU) with storage of code and data.
Power debugging	Power debugging is a programming technology that makes it easier to see how the finished product's power consumption is directly related to the source code written by a programmer. This makes it possible to detect which program code is causing unexpectedly high power consumption.
Processor	When the word is used in connection with IAR Systems' products, processor is an abbreviation of <i>microprocessor</i> .
RTOS	An operating system (OS) is a set of programs that manage a computer's hardware resources and provide common services for application software. The operating system is the most important type of software in a computer system. A real-time operating system (RTOS) is specialized at quickly and reliably handling input and output data from the computer system, which is important in embedded systems.
Standardization	By standardizing on IAR Systems' tool chain, customers can significantly improve their efficiency and time-to-market for new products. In a single environment, they can move freely between 8-, 16-, 32-bit MCUs from all major vendors in all relevant architectures, including all ARM cores.
SUA	Software products from IAR Systems usually include a 12-month "Support and Update Agreement" (SUA) that gives the customer access to new product versions, product updates, technical support, etc.
Development kit	A development kit (also called a starter kit or evaluation kit) contains all of the equipment and software needed for a programmer to design, develop, integrate and test his or her products. IAR Systems offers fully integrated kits for development of embedded application software. Each kit contains an evaluation board and development tools (software) with example applications.
Development tools	The software tools used by programmers to create their own programs. The most important of these is an editor in which to write source code, a compiler to transform the source code into instructions that the processor can use, a linker that combines smaller program segments into an executable program, and a debugger that is used to locate problems in a program. IAR Embedded Workbench is a set of development tools.
8, 16, 32-bit	Processor architectures vary in complexity and size. 8-, 16- and 32-bit define the amount of code and data the processor can address. The general rule is that the larger the architecture, the more powerful and expensive the processors.

The English Interim-report is a translation of the Swedish original. In event of discrepancy between the English translation and the Swedish original, the original Swedish version shall prevail.